> ILL.C.C. No. 24 Section No. 1 Original Sheet No. 22.1

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as a surcharge or a refund via credit to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet on or before the 20th day of the second month following the first twelve-month period following the implementation of new base rates resulting from a proceeding for the determination of new base rates and annually thereafter. The initial filing shall be made November 20, 2013 and will be placed into effect December 1, 2013. The twelve month period being measured in the first SC% calculation shall be October 1, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)].

The company will track the amount of actual RAC revenues collected with the SC% during the year a SC% is in effect. If the SC% results in revenue collected above or below the target amount (TA) to be recovered, the over or under collected amount, (Reconciliation Adjustment), will be refunded via credit or surcharged to customers as described in Section B.

The SC% will be capped and will not exceed 5% nor will it be less than -5% in any recovery period. SC% amounts greater than 5% and SC% amounts less than -5% shall be deferred with interest at the AFUDC rate for future recovery or refund via credit to the customer's bill.

Section B Reports and Reconciliations

The Company shall file with the Commission annually, beginning no later than the 15th day of the third month following the year a SC% is in effect a statement of the Reconciliation Adjustment based upon the actual RAC revenues collected or credited during the twelve months the SC% was in effect. The first Reconciliation Adjustment therefore is based on the twelve months ending November 30, 2014 and the statement of the Reconciliation Adjustment shall be filed with the Commission no later than February 15, 2015. The Reconciliation Adjustment, if resulting in either a surcharge or a refund, shall be collected/credited in rates effective the first day of the month following the filing of the Statement of Reconciliation and shall be initiated by an information sheet filing with the Commission by the 20th day of the preceding month. The first information sheet filing shall be made by February 20 for surcharges or refunds effective March 1.

At this same time the Company files its statement of the Reconciliation Adjustment, the Company shall also submit a report which provides the Company's rate of return with and without the effect of Rider RAC. Further, at this same time, the Company shall also file a petition with the Commission seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) plus interest shall be recovered or refunded in the manner determined by the Commission in the annual reconciliation proceeding.

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as a surcharge or a refund via credit to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet on or before the 20th day of the second month following the first twelve-month period following the implementation of new base rates resulting from a proceeding for the determination of new base rates and annually thereafter. The initial filing shall be made November 20, 2013 and will be placed into effect December 1, 2013. The twelve month period being measured in the first SC% calculation shall be October 1, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)].

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as a surcharge or a refund via credit to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet on or before the 20th day of the second month following the first twelve-month period following the implementation of new base rates resulting from a proceeding for the determination of new base rates and annually thereafter. The initial filing shall be made November 20, 2013 and will be placed into effect December 1, 2013. The twelve month period being measured in the first SC% calculation shall be October 1, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)].

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Section B Reports and Reconciliations

The Company shall file with the Commission annually, beginning no later than the 15th day of the third month following the year a SC% is in effect a statement of the Reconciliation Adjustment based upon the actual RAC revenues collected or credited during the twelve months the SC% was in effect. The first Reconciliation Adjustment therefore is based on the twelve months ending November 30, 2014 and the statement of the Reconciliation Adjustment shall be filed with the Commission no later than February 15, 2015. The Reconciliation Adjustment, if resulting in either a surcharge or a refund, shall be collected/credited in rates effective the first day of the month following the filing of the Statement of Reconciliation and shall be initiated by an information sheet filing with the Commission by the 20th day of the preceding month. The first information sheet filing shall be made by February 20 for surcharges or refunds effective March 1.

At this same time the Company files its statement of the Reconciliation Adjustment, the Company shall also submit a report which provides the Company's rate of return with and without the effect of Rider RAC. Further, at this same time, the Company shall also file a petition with the Commission seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) plus interest shall be recovered or refunded in the manner determined by the Commission in the annual reconciliation proceeding.

ILLINOIS-AMERICAN WATER COMPANY Pekin Water Service

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as a surcharge or a refund via credit to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet on or before the 20th day of the second month following the first twelve-month period following the implementation of new base rates resulting from a proceeding for the determination of new base rates and annually thereafter. The initial filing shall be made November 20, 2013 and will be placed into effect December 1, 2013. The twelve month period being measured in the first SC% calculation shall be October 1, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)].

The company will track the amount of actual RAC revenues collected with the SC% during the year a SC% is in effect. If the SC% results in revenue collected above or below the target amount (TA) to be recovered, the over or under collected amount, (Reconciliation Adjustment), will be refunded via credit or surcharged to customers as described in Section B.

The SC% will be capped and will not exceed 5% nor will it be less than -5% in any recovery period. SC% amounts greater than 5% and SC% amounts less than -5% shall be deferred with interest at the AFUDC rate for future recovery or refund via credit to the customer's bill.

Section B Reports and Reconciliations

The Company shall file with the Commission annually, beginning no later than the 15th day of the third month following the year a SC% is in effect a statement of the Reconciliation Adjustment based upon the actual RAC revenues collected or credited during the twelve months the SC% was in effect. The first Reconciliation Adjustment therefore is based on the twelve months ending November 30, 2014 and the statement of the Reconciliation Adjustment shall be filed with the Commission no later than February 15, 2015. The Reconciliation Adjustment, if resulting in either a surcharge or a refund, shall be collected/credited in rates effective the first day of the month following the filing of the Statement of Reconciliation and shall be initiated by an information sheet filing with the Commission by the 20th day of the preceding month. The first information sheet filing shall be made by February 20 for surcharges or refunds effective March 1.

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less variable production costs based on the previous Commission Order) and the net water revenue target (Target Revenue) as authorized in the most recent rate case. The percentage difference is then surcharged and recovered or credited and refunded on the customer's bill over a twelve month period. The RAC percentage shall not be applied to Usage Charges of competitive contract Customers when those charges are established by contract. In this tariff rider, target levels for revenues and production costs were set in the previous Commission Order and will be carried forward and used for all future RAC calculations until new target levels are set in the next rate case proceeding.

The surcharge/credit for each year ending twelve calendar months after the anniversary date of the Order ("Revenue Period") is calculated as follows:

The actual net revenue for the Revenue Period is compared to the Target Level set forth above. The difference will result in a percentage that will be applied as a surcharge/credit to a customer's water bill portion for the succeeding twelve months.

The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

Section A-Definitions and Determination of SC %

SC% = Surcharge/Credit % = (TR / AR) - 1

PC = Production Cost / 1,000 Gallons = Per Order Production Cost / Per Order Water Sales (Thousand Gallons)

Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

TR = Target Revenues, net of Production Costs per Order (PC times Per Order water sales volumes)

AR = Actual Revenues, net of Production Costs (PC times actual revenue period water sales)

Actual Revenues shall include only the following ICC Accounts: 461.1, Residential; 461.2, Commercial; 461.3, Industrial; 461.4, Other Public Authority; 466, Sales for Resale, but will exclude revenues received for the sales of purchased water, revenue earned under the QIP surcharge and revenues from the SC% and the Usage Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

TA = Target Amount to be recovered

TA = TR - AR

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less variable production costs based on the previous Commission Order) and the net water revenue target (Target Revenue) as authorized in the most recent rate case. The percentage difference is then surcharged and recovered or credited and refunded on the customer's bill over a twelve month period. The RAC percentage shall not be applied to Usage Charges of competitive contract Customers when those charges are established by contract. In this tariff rider, target levels for revenues and production costs were set in the previous Commission Order and will be carried forward and used for all future RAC calculations until new target levels are set in the next rate case proceeding.

The surcharge/credit for each year ending twelve calendar months after the anniversary date of the Order ("Revenue Period") is calculated as follows:

The actual net revenue for the Revenue Period is compared to the Target Level set forth above. The difference will result in a percentage that will be applied as a surcharge/credit to a customer's water bill portion for the succeeding twelve months.

The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

Section A-Definitions and Determination of SC %

SC% = Surcharge/Credit % = (TR / AR) - 1

PC = Production Cost / 1,000 Gallons = Per Order Production Cost / Per Order Water Sales (Thousand Gallons)

Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

TR = Target Revenues, net of Production Costs per Order (PC times Per Order water sales volumes)

AR = Actual Revenues, net of Production Costs (PC times actual revenue period water sales)

Actual Revenues shall include only the following ICC Accounts: 461.1, Residential; 461.2, Commercial; 461.3, Industrial; 461.4, Other Public Authority; 466, Sales for Resale, but will exclude revenues received for the sales of purchased water, revenue earned under the QIP surcharge and revenues from the SC% and the Usage Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

TA = Target Amount to be recovered

TA = TR - AR

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less variable production costs based on the previous Commission Order) and the net water revenue target (Target Revenue) as authorized in the most recent rate case. The percentage difference is then surcharged and recovered or credited and refunded on the customer's bill over a twelve month period. The RAC percentage shall not be applied to Usage Charges of competitive contract Customers when those charges are established by contract. In this tariff rider, target levels for revenues and production costs were set in the previous Commission Order and will be carried forward and used for all future RAC calculations until new target levels are set in the next rate case proceeding.

The surcharge/credit for each year ending twelve calendar months after the anniversary date of the Order ("Revenue Period") is calculated as follows:

The actual net revenue for the Revenue Period is compared to the Target Level set forth above. The difference will result in a percentage that will be applied as a surcharge/credit to a customer's water bill portion for the succeeding twelve months.

The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

Section A-Definitions and Determination of SC %

SC% = Surcharge/Credit % = (TR / AR) - 1

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Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

TR = Target Revenues, net of Production Costs per Order (PC times Per Order water sales volumes)

AR = Actual Revenues, net of Production Costs (PC times actual revenue period water sales)

Actual Revenues shall include only the following ICC Accounts: 461.1, Residential; 461.2, Commercial; 461.3, Industrial; 461.4, Other Public Authority; 466, Sales for Resale, but will exclude revenues received for the sales of purchased water, revenue earned under the QIP surcharge and revenues from the SC% and the Usage Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

TA = Target Amount to be recovered

TA = TR - AR

ILLINOIS-AMERICAN WATER COMPANY Lincoln Water Service

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SCHEDULE OF RATES AND CHARGES

ILL.C.C. No. 24 Section No. 4 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less variable production costs based on the previous Commission Order) and the net water revenue target (Target Revenue) as authorized in the most recent rate case. The percentage difference is then surcharged and recovered or credited and refunded on the customer's bill over a twelve month period. The RAC percentage shall not be applied to Usage Charges of competitive contract Customers when those charges are established by contract. In this tariff rider, target levels for revenues and production costs were set in the previous Commission Order and will be carried forward and used for all future RAC calculations until new target levels are set in the next rate case proceeding.

The surcharge/credit for each year ending twelve calendar months after the anniversary date of the Order ("Revenue Period") is calculated as follows:

The actual net revenue for the Revenue Period is compared to the Target Level set forth above. The difference will result in a percentage that will be applied as a surcharge/credit to a customer's water bill portion for the succeeding twelve months.

The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

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Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

TR = Target Revenues, net of Production Costs per Order (PC times Per Order water sales volumes)

AR = Actual Revenues, net of Production Costs (PC times actual revenue period water sales)

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as an surchargeaddition or a refund via credit to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet on or before November 20, the 20th day of the second month following the first twelve-month period following the implementation of new base rates resulting from a proceeding for the determination of new base rates and annually—beginning thereafter. The initial filing shall be made November 20, 2013 and will be placed into effect December 1, annually 2013, no later than 60 days after the end of tThe twelve month period being measured in the first SC% calculation shall be October 1, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220] ILCS 5/9-201 (a)].

The company will track the amount of actual RAC revenues collected with the SC% during the year a SC% is in effect... a Ind-if the SC% results in revenue collected above or below the target amount (TA) to be recovered, the over or under collected amount, (Reconciliation Adjustment), will be refunded via credit or surcharged to customers as described in Section B. in the earliest month, as administratively practical, of the following quarter.

The SC% will be capped and will not exceed 5% nor will it be less than -5% in any recovery period. <u>SC% amounts</u> greater than 5% <u>will not ever be recovered from ratepayers and SC% amounts less than -5% will not ever be refunded to ratepayersshall be deferred with interest at the AFUDC rate forexcluded from future recovery or refund via credit to the customer's bill.</u>

Section B Reports and Reconciliations

The Company shall file with the Commission annually, beginning no later than February 28, 2015,the 15th day of the third month following the year a SC% is in effect a statement of the Reconciliation Adjustment based upon the actual RAC revenues collected or credited during the twelve months the SC% was in effect. The first Reconciliation Adjustment therefore is based on the twelve months endedending November 30, 2014; and the statement of the Reconciliation Adjustment shall be filed with the Commission no later than February 15, 2015. The Reconciliation Adjustment, if resulting in either a surcharge or a refund, shall be collected/creditedrefunded in rates effective the first day of the month following the filing of the Statement of Reconciliation and shall be initiated by an information sheet filing with the Commission by the 20th day of the preceding month. The first information sheet filing shall be made by February 20 for surcharges or refunds effective March 1 annually. If the Reconciliation Adjustment results in SC% revenue collected below the Target Amount (TA), such amounts shall be forfeited by the Company and not recovered from ratepayers.

At this same time the Company files its statement of the Reconciliation Adjustment, the Company shall also submit a report which provides the Company's rate of return with and without the effect of Rider RAC. Further, at this same time, the Company shall also file a petition and testimony with the Commission seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) plus interest shall be recovered or refunded in the manner determined by the Commission in the annual reconciliation proceeding.

Section C Audit

Issued: October 27, 2011 Effective: December 11, 2011

Issued by: Karla Olson Teasley, President 300 North Water Works Drive Belleville, Illinois 62223 Formatted: Normal, Line spacing: single

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ILL.C.C. No. 24 Section No. 1 Original Sheet No. 22.1

SCHEDULE OF RATES AND CHARGES

The Company shall annually conduct an internal audit of the distribution revenue requirements recovered or refunded pursuant to this rider. The internal audit shall determine if: 1) the actual amount of revenues that exceed or fall short of any approved Target Revenue (TA) collected through base rate distribution charges are correctly reflected in the calculations; 2) the revenues are not collected through other approved tariffs; 3) Rider RAC adjustments are being properly billed to customers; and 4) Rider RAC revenues are recorded in the appropriate accounts. The above list of determinations does not limit the scope of the audit. The Company shall submit the audit report to the Commission's Manager of the Accounting Department, no later than May 1 of each year. Such report shall be verified by an officer of the Company:

Issued: October 27, 2011 Effective: December 11, 2011

> ILL.C.C. No. 24 Section No. 2 Original Sheet No. 22.1

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

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Section C Audit

Issued: October 27, 2011 Effective: December 11, 2011

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ILL.C.C. No. 24 Section No. 2 Original Sheet No. 22.1

SCHEDULE OF RATES AND CHARGES

The Company shall annually conduct an internal audit of the distribution revenue requirements recovered or refunded pursuant to this rider. The internal audit shall determine if: 1) the actual amount of revenues that exceed or fall short of any approved Target Revenue (TA) collected through base rate distribution charges are correctly reflected in the calculations; 2) the revenues are not collected through other approved tariffs; 3) Rider RAC adjustments are being properly billed to customers; and 4) Rider RAC revenues are recorded in the appropriate accounts. The above list of determinations does not limit the scope of the audit. The Company shall submit the audit report to the Commission's Manager of the Accounting Department, no later than May 1 of each year. Such report shall be verified by an officer of the Company.

Issued: October 27, 2011 Effective: December 11, 2011

ILLINOIS-AMERICAN WATER COMPANY Lincoln Water Service

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SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as an surchargeaddition or a refund via credit to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet on or before November 20, the 20th day of the second month following the first twelve-month period following the implementation of new base rates resulting from a proceeding for the determination of new base rates and annually—beginning thereafter. The initial filing shall be made November 20, 2013 and will be placed into effect December 1, annually 2013, no later than 60 days after the end of tThe twelve month period being measured in the first SC% calculation shall be October 1, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220] ILCS 5/9-201 (a)].

The company will track the amount of actual RAC revenues collected with the SC% during the year a SC% is in effect... a Ind-if the SC% results in revenue collected above or below the target amount (TA) to be recovered, the over or under collected amount, (Reconciliation Adjustment), will be refunded via credit or surcharged to customers as described in Section B. in the earliest month, as administratively practical, of the following quarter.

The SC% will be capped and will not exceed 5% nor will it be less than -5% in any recovery period. SC% amounts greater than 5% will not ever be recovered from ratepayers and SC% amounts less than -5% will not ever be refunded to ratepayersshall be deferred with interest at the AFUDC rate forexeluded from future recovery or refund via credit to the customer's bill.

Section B Reports and Reconciliations

The Company shall file with the Commission annually, beginning no later than February 28, 2015,the 15th day of the third month following the year a SC% is in effect a statement of the Reconciliation Adjustment based upon the actual RAC revenues collected or credited during the twelve months the SC% was in effect. The first Reconciliation Adjustment therefore is based on the twelve months endedending November 30, 2014; and the statement of the Reconciliation Adjustment shall be filed with the Commission no later than February 15, 2015. The Reconciliation Adjustment, if resulting in either a surcharge or a refund, shall be collected/creditedrefunded in rates effective the first day of the month following the filing of the Statement of Reconciliation and shall be initiated by an information sheet filing with the Commission by the 20th day of the preceding month. The first information sheet filing shall be made by February 20 for surcharges or refunds effective March 1 annually. If the Reconciliation Adjustment results in SC% revenue collected below the Target Amount (TA), such amounts shall be forfeited by the Company and not recovered from ratepayers.

At this same time the Company files its statement of the Reconciliation Adjustment, the Company shall also submit a report which provides the Company's rate of return with and without the effect of Rider RAC. Further, at this same time, the Company shall also file a petition and testimony with the Commission seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) plus interest shall be recovered or refunded in the manner determined by the Commission in the annual reconciliation proceeding.

Section C Audit

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ILLINOIS-AMERICAN WATER COMPANY Lincoln Water Service

ILL.C.C. No. 24 Section No. 3 Original Sheet No. 22.1

SCHEDULE OF RATES AND CHARGES

The Company shall annually conduct an internal audit of the distribution revenue requirements recovered or refunded pursuant to this rider. The internal audit shall determine if: 1) the actual amount of revenues that exceed or fall short of any approved Target Revenue (TA) collected through base rate distribution charges are correctly reflected in the calculations; 2) the revenues are not collected through other approved tariffs; 3) Rider RAC adjustments are being properly billed to customers; and 4) Rider RAC revenues are recorded in the appropriate accounts. The above list of determinations does not limit the scope of the audit. The Company shall submit the audit report to the Commission's Manager of the Accounting Department, no later than May 1 of each year. Such report shall be verified by an officer of the Company.

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ILLINOIS-AMERICAN WATER COMPANY Pekin Water Service

ILL.C.C. No. 24 Section No. 4 Original Sheet No. 22.1

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER (CONTINUED)

The SC% will be applied as an <u>surchargeaddition</u> or a <u>refund via credit</u> to each metered customer's water bill for a period of one year. The initiation of the SC% will be effective upon the filing of an information sheet <u>on or before November 20</u>, the 20th day of the second month following the first twelve-month period following the implementation of new base <u>rates resulting from a proceeding for the determination of new base rates and annually, <u>beginning thereafter</u>. The initial filing shall be made November 20, 2013 and will be placed into effect <u>December 1</u>, <u>annually 2013</u>, <u>no later than 60 days</u> after the end of tThe twelve month period being measured in the <u>first SC</u>% calculation <u>shall be October 1</u>, 2012 through September 30, 2013. The Company shall file any corrections from a timely filed information sheet on or before December 1, 2013 for its first informational filing or December 1 annually thereafter. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220] ILCS 5/9-201 (a)].</u>

The company will track the amount of actual RAC revenues collected with the SC% during the year a SC% is in effect... a Ind-if the SC% results in revenue collected above or below the target amount (TA) to be recovered, the over or under collected amount, (Reconciliation Adjustment), will be refunded via credit or surcharged to customers as described in Section B. in the earliest month, as administratively practical, of the following quarter.

The SC% will be capped and will not exceed 5% nor will it be less than -5% in any recovery period. <u>SC% amounts</u> greater than 5% <u>will not ever be recovered from ratepayers and SC% amounts less than -5% will not ever be refunded to ratepayers and SC amounts less than -5% will not ever be refunded to ratepayers hall be deferred with interest at the AFUDC rate forexcluded from future recovery or refund via credit to the customer's bill.</u>

Section B Reports and Reconciliations

The Company shall file with the Commission annually, beginning no later than February 28, 2015,the 15th day of the third month following the year a SC% is in effect a statement of the Reconciliation Adjustment based upon the actual RAC revenues collected or credited during the twelve months the SC% was in effect. The first Reconciliation Adjustment therefore is based on the twelve months endedending November 30, 2014: and the statement of the Reconciliation Adjustment shall be filed with the Commission no later than February 15, 2015. The Reconciliation Adjustment, if resulting in either a surcharge or a refund, shall be collected/creditedrefunded in rates effective the first day of the month following the filing of the Statement of Reconciliation and shall be initiated by an information sheet filing with the Commission by the 20th day of the preceding month. The first information sheet filing shall be made by February 20 for surcharges or refunds effective March I annually. If the Reconciliation Adjustment results in SC% revenue collected below the Target Amount (TA), such amounts shall be forfeited by the Company and not recovered from ratepayers.

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Section C Audit

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ILLINOIS-AMERICAN WATER COMPANY Pekin Water Service

ILL.C.C. No. 24 Section No. 4 Original Sheet No. 22.1

SCHEDULE OF RATES AND CHARGES

The Company shall annually conduct an internal audit of the distribution revenue requirements recovered or refunded pursuant to this rider. The internal audit shall determine if: 1) the actual amount of revenues that exceed or fall short of any approved Target Revenue (TA) collected through base rate distribution charges are correctly reflected in the calculations; 2) the revenues are not collected through other approved tariffs; 3) Rider RAC adjustments are being properly billed to customers; and 4) Rider RAC revenues are recorded in the appropriate accounts. The above list of determinations does not limit the scope of the audit. The Company shall submit the audit report to the Commission's Manager of the Accounting Department, no later than May 1 of each year. Such report shall be verified by an officer of the Company.

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ILL.C.C. No. 24 Section No. 1 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less <u>variable</u> production costs based on the previous Commission Order) and the net water revenue target (Target <u>Revenues Level</u>) as authorized in the most recent rate case. The percentage difference is then surcharged (or <u>credited</u>) and recovered (or <u>credited</u> and refunded) on the customer's bill over a twelve month period. The RAC percentage shall not be applied to Usage <u>Charges of competitive contract Customers when those charges are established by contract.</u> In this tariff rider, target levels for revenues and production costs were set in the previous Commission Order and will be carried forward and used for all future RAC calculations until new target levels are set in the next rate case proceeding.

The surcharge/credit for -each year ending twelve calendar months after the anniversary date of the Order ("Revenue **Period") is calculated as follows:

The actual net revenue for the Revenue Period is compared to the Target Level set forth above. The difference will result in a percentage that will be applied as a surcharge/credit to a customer's water bill portion for the succeeding twelve months.

The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

Section A-Definitions and Determination of SC %

Production costs include fuel and power, chemicals, and waste disposal expense not recovered through a sewer surcharge.

SC% = Surcharge/Credit % = SC% = (TR / AR) - 1

 $\underline{PC} = \underline{PC} = Production \ Cost \ / \ 1,000 \ Gallons = Per \ Order \ Production \ Cost \ / \ Per \ Order \ Water \ Sales \ (\underline{Thousand \ Gallons} + \underline{TG}) = \underline{PC}$

Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; and 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

 $\underline{TR} = \text{Target Revenues}$, net of Production Costs per Order $= \underline{TR}$ (PC times Per Order water sales volumes)

 \underline{AR} = Actual Revenues, net of Production Costs (PC times actual revenue period \underline{water} sales) = \underline{AR}

Actual Revenues shall include only the following ICC Accounts: 461.1, Residential; 461.2, Commercial; 461.3, Industrial; 461.4, Other Public Authority; 466, Sales for Resale, but will exclude revenues received for the sales of purchased water, and for revenue earned under the QIP surcharge and revenues from the SC% and the Usage

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ILL.C.C. No. 24 Section No. 1 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

TA = Target Amount to be recovered = TA

-SC% = (TR / AR) - 1

TA = TR - AR

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ILL.C.C. No. 24 Section No. 2 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less <u>variable</u> production costs based on the previous Commission Order) and the net water revenue target (Target <u>RevenuesLevel</u>) as authorized in the most recent rate case. The percentage difference is then surcharged (or <u>credited</u>) and recovered (or <u>credited</u> and refunded) on the customer's bill over a twelve month period. The RAC percentage shall not be applied to <u>Usage</u>

Charges of competitive contract Customers when those charges are established by contract. In this tariff rider, target levels for revenues and production costs were set in the previous Commission Order and will be carried forward and used for all future RAC calculations until new target levels are set in the next rate case proceeding.

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The actual net revenue for the Revenue Period is compared to the Target Level set forth above. The difference will result in a percentage that will be applied as a surcharge/credit to a customer's water bill portion for the succeeding twelve months.

The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

Section A-Definitions and Determination of SC %

Production costs include fuel and power, chemicals, and waste disposal expense not recovered through a sewe surcharge.

SC% = Surcharge/Credit % = SC% = (TR / AR) - 1

 \underline{PC} = Production Cost / 1,000 Gallons = Per Order Production Cost / Per Order Water Sales (Thousand Gallons \underline{PC}) = \underline{PC}

Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; and 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

 $\underline{TR} = \text{Target Revenues}$, net of Production Costs per Order $= \underline{TR}$ (PC times Per Order water sales volumes)

 \underline{AR} = Actual Revenues, net of Production Costs (PC times actual revenue period \underline{water} sales) = \underline{AR}

Actual Revenues shall include only the following ICC Accounts: 461.1, Residential; 461.2, Commercial; 461.3, Industrial; 461.4, Other Public Authority; 466, Sales for Resale, but will exclude revenues received for the sales of purchased water, and for revenue earned under the QIP surcharge and revenues from the SC% the Usage

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ILL.C.C. No. 24 Section No. 2 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

TA = Target Amount to be recovered = TA

-SC% = (TR / AR) - 1

TA = TR - AR

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ILLINOIS-AMERICAN WATER COMPANY Lincoln Water Service

ILL.C.C. No. 24 Section No. 3 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less <u>variable</u> production costs based on the previous Commission Order) and the net water revenue target (Target <u>RevenuesLevel</u>) as authorized in the most recent rate case. The percentage difference is then surcharged (or <u>credited</u>) and recovered (or <u>credited</u> and refunded) on the customer's bill over a twelve month period. The RAC percentage shall not be applied to <u>Usage</u>

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Section A-Definitions and Determination of SC %

Production costs include fuel and power, chemicals, and waste disposal expense not recovered through a sewer surcharge.

SC% = Surcharge/Credit % = SC% = (TR / AR) - 1

 \underline{PC} = Production Cost / 1,000 Gallons = Per Order Production Cost / Per Order Water Sales (Thousand Gallons \underline{PC}) = \underline{PC}

Production Cost shall be limited to variable costs. Production Cost shall include only the following ICC Accounts: 615, Purchased Power; 616, Fuel for Power Production; and 618, Chemicals; and the portion of 675 attributable to Waste Disposal.

 $\underline{TR} = \text{Target Revenues}$, net of Production Costs per Order $= \underline{TR}$ (PC times Per Order water sales volumes)

 \underline{AR} = Actual Revenues, net of Production Costs (PC times actual revenue period \underline{water} sales) = \underline{AR}

Actual Revenues shall include only the following ICC Accounts: 461.1, Residential; 461.2, Commercial; 461.3, Industrial; 461.4, Other Public Authority; 466, Sales for Resale, but will exclude revenues received for the sales of purchased water, and for revenue earned under the QIP surcharge and revenues from the SC% the Usage

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ILLINOIS-AMERICAN WATER COMPANY Lincoln Water Service

ILL.C.C. No. 24 Section No. 3 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

TA = Target Amount to be recovered = TA

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ILLINOIS-AMERICAN WATER COMPANY Pekin Water Service

ILL.C.C. No. 24 Section No. 4 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE REVENUE ADJUSTMENT CLAUSE (RAC) RIDER

Applicable to all Metered Customers

All metered water customer accounts will be subject to an automatic revenue adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (actual operating water revenues less <u>variable</u> production costs based on the previous Commission Order) and the net water revenue target (Target <u>RevenuesLevel</u>) as authorized in the most recent rate case. The percentage difference is then surcharged (or <u>credited</u>) and recovered (or <u>credited</u> and refunded) on the customer's bill over a twelve month period. The RAC percentage shall not be applied to <u>Usage</u>

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The percentage to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending twelve months from the Order anniversary date is computed as follows:

Section A-Definitions and Determination of SC %

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ILLINOIS-AMERICAN WATER COMPANY Pekin Water Service

ILL.C.C. No. 24 Section No. 4 Original Sheet No. 22

SCHEDULE OF RATES AND CHARGES

Charges of competitive contract Customers when those charges are established by contract. Actual Revenues shall exclude unbilled revenues within these accounts.

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